

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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Person To Contact:

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CC:CORP:5

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Date:

April 29, 2013

Legend

Distributing =

Shareholder =

Sub =

Controlled =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

Business A =

Business B =

a =

Dear :

This letter is in response to your request for rulings on March 4, 2013, submitted by your authorized representatives, on certain federal income tax consequences of a Proposed Transaction (defined below). The information submitted in that request is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2013-1, 2013-1 I.R.B. 1, regarding rulings on one or more significant issues solely under the jurisdiction of the Associate Chief Counsel (Corporate) that involve the tax consequences of a transaction (or part of a transaction) occurring in the context of a distribution under section 355 of the Internal Revenue Code of 1986, as amended (the "Code"). This office expresses no opinion as to the overall tax consequences of the transaction described in this letter. Rather, the rulings contained in this letter only address one discrete legal issue involved in the transaction.

Summary of Facts

Distributing is the common parent of an affiliated group of corporations that file a consolidated federal income tax return. Shareholder owns percent of Distributing.

Distributing wholly owns LLC 1. LLC 1 wholly owns LLC 2 and LLC 3 and indirectly owns Sub. Sub wholly owns LLC 4. Each of LLC 1 through LLC 4 is an entity disregarded as separate from its owner under Treas. Reg. § 301.7701-3.

Distributing, through its separate affiliated group as defined in section 355(b)(3)(B) of the Code (the "Distributing SAG") is engaged in Business A and Business B. Following the Distribution (defined below), the Distributing SAG will continue the conduct of Business A and Controlled, to be formed pursuant to the Proposed Transaction, will conduct Business B.

Distributing has submitted financial information that indicates that both Business A and Business B have had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Proposed Transaction

For what are represented to be valid business purposes, Distributing plans to complete the following steps pursuant to an overall plan (the “Proposed Transaction”):

- (i) Sub will form LLC 5, a limited liability company disregarded as separate from Sub under Treas. Reg. § 301.7701-3.
- (ii) Distributing will form Controlled as a wholly owned subsidiary.
- (iii) Sub and/or LLC 4 will transfer the assets and liabilities associated with Business B to LLC 5.
- (iv) LLC 1 will distribute all of its interests in LLC 2 and LLC 3 to Distributing.
- (v) Distributing will contribute all of its interest in LLC 2 and LLC 3 and cash to Controlled in exchange for Controlled stock of equal value (the “Contribution”).
- (vi) Controlled will use the cash received in the Contribution to purchase all of the interests in LLC 5 from Sub in a value-for-value exchange.
- (vii) Distributing will distribute all the stock of Controlled to Shareholder (the “Distribution”).

After the Distribution, the Distributing SAG will continue to operate a portion of Business B for a brief period of approximately a months before transitioning fully to Controlled. In addition, Distributing and Controlled will enter into an agreement pursuant to which Controlled will provide Business B products and services to the Distributing SAG on market-based terms. Distributing and Controlled may also enter into certain agreements to provide for transitional services for a period of no longer than two years after the Distribution (collectively, the “Continuing Arrangements”).

Representations

- (a) In applying section 355(b)(2)(A) regarding the active conduct of a trade or business, Distributing will treat all members of the Distributing SAG as one corporation.
- (b) The five years of financial information submitted on behalf of Business A conducted by the Distributing SAG are representative of its present operations, and with regard to such operations, there have been no substantial changes since the date of the last financial statements submitted.

- (c) In applying section 355(b)(2)(A) regarding the active conduct of a trade or business, Controlled will treat all members of its separate affiliated group (the "Controlled SAG"), as defined in section 355(b)(3)(B), as one corporation.
- (d) The five years of financial information submitted on behalf of Business B conducted by the Distributing SAG before the Distribution (and to be operated by the Controlled SAG after the Distribution) are representative of its present operations, and with regard to such operations, there have been no substantial changes since the date of the last financial statements submitted.
- (e) The Distributing SAG neither acquired Business A nor acquired control of an entity conducting Business A during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (f) The Distributing SAG neither acquired Business B nor acquired control of an entity conducting Business B during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (g) Following the Distribution, the Distributing SAG will continue the active conduct of Business A and the Controlled SAG will continue the active conduct of Business B independently and with their separate employees (except as provided pursuant to the Continuing Arrangements).
- (h) Assuming the Service issues the ruling set forth below, to the best knowledge and belief of Distributing, the Distribution should constitute a distribution of stock of a controlled corporation that qualifies as tax free under section 355.

Ruling

Based solely on the information submitted and the representations set forth above, we rule as follows:

- (1) Distributing will satisfy the active trade or business requirement with respect to the Distribution. Section 355(b).
- (2) Controlled will satisfy the active trade or business requirement with respect to the Distribution. Section 355(b).

Caveat

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in

this letter. In particular, no opinion is given regarding other issues related to the Distribution, or the tax consequences or characterization of the Distribution.

Procedural Matters

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

A. Graham Magill

A. Graham Magill
Assistant Branch Chief, Branch 5
Office of Associate Chief Counsel (Corporate)